

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ALLTEL KENTUCKY, INC.)	
FOR CHANGES IN ITS UTILITY PLANT)	CASE NO. 92-231
DEPRECIATION ACCOUNTS)	

O R D E R

On September 17, 1991, ALLTEL Kentucky, Inc. ("ALLTEL") filed its 1991 Depreciation Study ("Study") with the Commission. In its Study, ALLTEL requested changes in the service life, salvage, and life curve shapes for its various plant accounts. This Study was filed in accordance with the requirements of Commission Regulation 807 KAR 5:064.

ALLTEL's currently prescribed depreciation parameters result in a composite depreciation rate of 4.9 percent. In its Study, ALLTEL proposed parameters which would result in a composite depreciation rate of 5.8 percent and an increase in annual depreciation expense accrual of \$190,996. Additionally, ALLTEL proposed a five-year amortization of the resulting reserve deficiency in the amount of \$1,004,539 per year. The total increase in depreciation expense would therefore be \$1,195,535 per year, based upon plant account balances as of December 31, 1990, the end of the Study period.

Following review and analysis of the Study, a Commission Staff proposal was issued by letter on February 6, 1992. The Staff proposal contained depreciation parameters which the Staff recommended as appropriate for ALLTEL, and which would result in a composite depreciation rate of 4.7 percent and a corresponding decrease in annual depreciation expense accrual of \$53,994. The Staff agreed with the need to resolve ALLTEL's reserve deficiency situation, and agreed with a five-year amortization of the resulting reserve deficiency in the amount of \$657,336 per year. The resultant total would be an increase in depreciation expense of \$603,342 per year. A "Two-Way" settlement meeting was subsequently held on March 12, 1992, at which time representatives of ALLTEL and the Commission Staff were able to reach agreement on changes in the depreciation parameters. Additionally, the participants agreed to amortize the resulting reserve deficiency over six years.

On April 3, 1992, ALLTEL filed a letter with the Commission requesting approval of the parameters agreed-upon at the "Two-Way" settlement meeting. ALLTEL also requested an effective booking date for the changed parameters of January 1, 1992. If approved by the Commission, the agreed parameters would result in a composite rate of 5.3 percent, with an annual increase in depreciation expense accrual of \$90,211. Additionally, the resulting reserve deficiency would be amortized over a six-year period at the rate of \$683,276 per year. The total change in

depreciation expense would therefore be \$773,487 per year, based upon plant account balances as of December 31, 1990.

Prior to considering this matter, the Commission sent notice of the agreed proposal on April 6, 1992, to all intervenors of record¹ and to the Office of the Attorney General, Utility and Rate Intervention Division, in ALLTEL's last general rate proceeding,² requesting comment, if any, within 30 days of the date of the notice. No comments were received.

The Commission, having considered the record and being otherwise sufficiently advised, HEREBY ORDERS that:

1. The depreciation parameters filed by ALLTEL on April 1, 1992, and attached as Appendix A to this Order, are reasonable for ALLTEL's plant accounts and are approved.

2. The reserve deficiency amortization proposed by ALLTEL and reflected in Appendix A to this Order is reasonable and is approved.

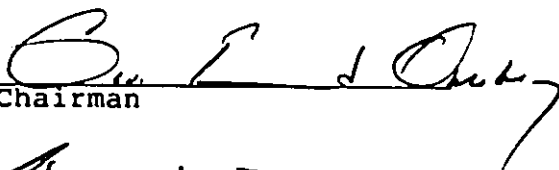
3. ALLTEL shall reflect the approved plant account parameters effective on and after January 1, 1992.

¹ Ms. Juanita Smith, Ms. Carol Head, and Mr. Arthur Hilbers, customers of ALLTEL; and Mr. Frank Smith, at that time State Representative representing the area in which ALLTEL serves.

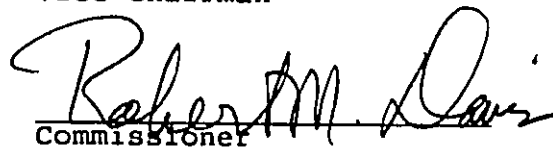
² Case No. 7902, Notice of Echo Telephone Company of a General Adjustment in its Rates.

Done at Frankfort, Kentucky, this 4th day of June, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director , Acting

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 92-231 DATED 6/4/92

RECEIVED
SUMMARY OF DEPRECIATION RATES
6 Year Amortization
APR 3 9 53 AM '92

STATEMENT A

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	RATES EFFECTIVE IN 1990				PROPOSED			
		REM LIFE (YRS)	RESERVE (%)	POTENTIAL SALVAGE (%)	RL RATE (%)	REM LIFE (YRS)	RESERVE (%)	POTENTIAL SALVAGE (%)	REM LIFE RATE (%)
		A	B	C	D	E	F=J/I	G	H
2112.1	Not Veh-Passenger				20.0				
2112.2	Not Veh-Light Trucks & Vans				20.0				
2112.3	Not Veh-Heavy Trucks				20.0				
2112.1	Motor Vehicles					4.4	91.7	10	10.5 **
2116.0	Other Work Equipment				10.0	9.5	92.5	3	5.3 TR
2121.0	Buildings				3.0	27.0	29.6	3	2.4 TR
2122.1	Furn & Fixtures				10.0				
2123.2	OE-Company Comm Eq				7.0				
2124.1	Computers & Data Equipment				10.0				
2122-4	Furniture & Fixtures					8.5	72.0	10	6.1 TR
2211.1	COB-Test Equipment				10.0				
2212.7	Digital Switching - ITT				4.0				
22112.7	Digital Switching-Other					8.4	28.5	0	6.0 TR
2212.1	Digital Switching-DMS10				4.0	12.5	8.3	4	6.9 TR
2215.1	Step-by-Step Switching Eq				7.0	-206258.9			0.0 AM
2231.1	Radio Sys-Mob Radio Facilities				8.0	7.6	21.5	-4	7.4 TR
2232.1-4	Analog Circuit Equipment				8.0	6.0	38.8	0	10.2
2232.5-8	Digital Circuit Equipment				8.0	7.2	23.1	4	7.7 TR
2314.2	Sta App-Reg Mobile Radio Eq				10.0	4.1	54.6	2	10.6
2351.0	Public Telephone Equipment				7.0	3.5	71.6	0	8.1
2411.0	Pole Lines				4.5	16.4	24.1	-68	6.3 TR
2421.1	Aerial Cable-Metallic				4.0	13.8	41.1	-30	5.1 TR
2421.2	Aerial Cable-Fiber Optic				4.0	17.6	4.0	0	5.2 TR
2422.1	Underground Cable-Metallic				3.0	19.1	31.0	-5	3.4 TR
2422.2	Underground Cable-Fiber Optic				3.0	25.0	1.7	-7	4.1 TR
2423.1	Buried Cable-Metallic				4.0	16.5	29.3	-5	4.4 TR
2423.2	Buried Cable-Fiber Optic				4.0	18.7	3.8	-5	5.3 TR
2431.1	Aerial Wire				10.0	5.4	-262.4	-55	77.3
2441.1	Conduit Systems				3.0	42.0	35.5	-2	1.8 TR

TR = Theoretical Reserve Percentage used in RL rate calculation. (See Statement C)

AM = 3 year net book amortization

@ = Primary account, composite of above sub-accounts.

** = Over accrual to be amortized over 1 year. Rates based on TRX, not to be applied until book reserve is less than 100X-FMSX.

RECEIVED
CHANGE IN ANNUAL ACCRUALS RESULTING FROM
CHANGES IN DEPRECIATION RATES
6 Year Amortisation
APR 3 9 53 AM '92

STATEMENT B

DEPR. RATES
IN EFFECT
12/31/90
PROPOSED
6.4%

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	12/31/90 INVEST (\$)	RESERVE (\$)	RATE AMOUNT (\$)	RATE AMOUNT (\$)	ANNUAL AMORT AMOUNT (\$)	TOTAL (\$)	CHANGES IN ACCRUALS (\$)
		I	J	K=D*I	L=H*I	M	N=L+M	O=N-K
2112.1	Not Veh-Passenger	62,442	62,442	12,488				
2112.2	Not Veh-Light Trucks & Vans	152,926	142,121	30,585				
2112.3	Not Veh-Heavy Trucks	421,002	378,815	84,200				
2112.X	Motor Vehicles	636,370	583,378	127,274	0	(10,645)	(10,645)	(137,919)
2116.0	Other Work Equipment	342,640	316,884	34,254	18,160	(26,143)	(7,983)	(42,247)
2121.0	Buildings	1,469,976	434,865	44,099	35,279	3,891	39,170	(4,929)
2122.1	Furn & Fixtures	277,251	277,251	27,725				
2123.2	OE-Company Comm Eq	154,001	42,398	10,780				
2124.1	Computers & Data Equipment	23,712	8,082	2,371				
2122-4	Furniture & Fixtures	454,964	327,731	40,876	27,753	(25,582)	2,171	(38,706)
2211.1	COE-Test Equipment	41,431	19,131	4,143				
2212.7	Digital Switching - ITT	3,610,974	1,022,970	144,439				
2211&2.70	Digital Switching-Other	3,652,405	1,042,101	148,582	219,144	127,741	346,885	198,303
2212.1	Digital Switching-DMS10	878,868	73,014	35,155	60,642	2,897	63,539	28,384
2215.1	Step-by-Step Switching Eq	302	(622,902)	21	0	207,735	207,735	207,714
2231.1	Radio Sys-Mob Radio Facilities	14,899	3,203	1,192	1,103	657	1,760	568
2232.1-4	Analog Circuit Equipment	254,124	98,702	20,330	25,921	0	25,921	5,591
2232.5-8	Digital Circuit Equipment	1,452,637	335,493	116,211	111,853	42,048	153,901	37,690
2314.2	Sta App-Reg Mobile Radio Eq	45,371	24,750	4,537	4,809	0	4,809	272
2351.0	Public Telephone Equipment	70,276	50,335	4,919	5,692	0	5,692	773
2411.0	Pole Lines	1,671,512	403,625	75,218	105,305	111,784	217,089	141,871
2421.1	Aerial Cable-Metallic	7,789,647	3,198,642	311,586	397,272	237,052	634,324	322,738
2421.2	Aerial Cable-Fiber Optic	65,046	2,604	2,602	3,382	417	3,799	1,198
2422.1	Underground Cable-Metallic	698,315	216,482	20,949	23,743	9,747	33,490	12,540
2422.2	Underground Cable-Fiber Optic	7,320	128	220	300	29	329	110
2423.1	Buried Cable-Metallic	1,978,392	579,285	79,136	87,049	10,615	97,664	18,529
2423.2	Buried Cable-Fiber Optic	13,376	505	535	709	68	777	242
2431.1	Aerial Wire	55,678	(146,077)	5,568	43,039	0	43,039	37,471
2441.1	Conduit Systems	639,181	227,177	19,175	11,505	(9,035)	2,470	(16,705)
COMPOSITES		22,191,299	7,149,925	1,092,450	1,182,661	683,276	1,865,937	773,487
			32.2%	4.9%	5.3%	3.1%	8.4%	3.5%
Sta. Conn.		95,092	9,252	85,840	0	85,840	85,840	0
		22,286,391	7,159,177	1,178,290	1,182,661	769,116	1,951,777	773,487
				32.1%	5.3%	5.3%	3.5%	8.8%

RECEIVED
SUMMARY OF RESERVE REQUIREMENT
BY
ACCOUNT
APR 3 9 53 AM '92

STATEMENT C - THEORETICAL
RESERVE

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	12/31/90 INVEST (\$)	AVERAGE SERVICE LIFE (YRS)	AVERAGE REMAINING LIFE (YRS)	AVERAGE COST SALVAGE (%)	AVERAGE FUTURE NET SALVAGE (%)	PROPOSED RESERVE REQUIREMENT	
							PERCENT (%)	AMOUNT (\$)
		I	P	Q	R	S	T	U=I*P
2112.1	Not Veh-Passenger	62,442						
2112.2	Not Veh-Light Trucks & Vans	152,926						
2112.3	Not Veh-Heavy Trucks	421,002						
2112.1	Motor Vehicles	636,370	8.6	4.4	10.0	10.0	44.0	279,707
2116.0	Other Work Equipment	342,640	16.2	8.4	3.0	3.0	46.7	160,026
2121.0	Buildings	1,469,976	35.0	24.0	4.0	3.0	31.2	458,213
2122.1	Furn & Fixtures	277,251						
2123.2	OE-Company Comm Eq	154,001						
2124.1	Computers & Data Equipment	23,712						
2122-4	Furniture & Fixtures	454,964	14.1	8.1	10.0	10.0	38.3	174,242
2211.1	COB-Test Equipment	41,431						
2212.7	Digital Switching - ITT	3,610,974						
2211&2.70	Digital Switching-Other	3,652,405	15.1	7.7	1.0	0.0	49.5	1,808,545
2212.1	Digital Switching-DMS10	878,868	14.0	12.5	4.0	4.0	10.3	90,398
2215.1	Step-by-Step Switching Eq	302		0.0		0.0	0.0	0
2231.1	Radio Sys-Mob Radio Facilities	14,899	14.1	7.6	-4.0	-4.0	47.9	7,143
2232.1-4	Analog Circuit Equipment	254,124	10.2	5.6	0.0	0.0	45.1	114,605
2232.5-8	Digital Circuit Equipment	1,452,637	12.1	7.0	4.0	4.0	40.5	587,778
2314.2	Sta App-Reg Mobile Radio Eq	45,371	9.9	4.1	2.0	2.0	57.4	26,049
2351.0	Public Telephone Equipment	70,276	13.2	3.5	0.0	0.0	73.5	51,642
2411.0	Pole Lines	1,671,512	22.0	14.0	-63.0	-68.0	64.3	1,074,326
2421.1	Aerial Cable-Metallic	7,789,647	23.0	12.7	-28.0	-30.0	59.3	4,620,954
2421.2	Aerial Cable-Fiber Optic	65,046	19.1	17.6	0.0	0.0	7.9	5,108
2422.1	Underground Cable-Metallic	698,315	28.0	17.5	-5.0	-5.0	39.4	274,862
2422.2	Underground Cable-Fiber Optic	7,320	26.0	25.0	-7.0	-7.0	4.1	301
2423.1	Buried Cable-Metallic	1,978,392	21.0	14.5	-5.0	-5.0	32.5	642,977
2423.2	Buried Cable-Fiber Optic	13,376	20.0	18.7	-5.0	-5.0	6.8	913
2431.1	Aerial Wire	55,678	17.6	4.8	-35.0	-55.0	118.2	65,801
2441.1	Conduit Systems	639,181	49.0	36.0	-2.0	-2.0	27.1	172,970
		22,191,199					47.8%	10,616,660

Reserve Imbalance = 3,466,735